

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 EB-07 ISO-00 FRB-03 SP-02 AID-05 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 L-02 H-02 NEA-09

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TO SECSTATE WASHDC 3064

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USADB

FORNCD AGENCIES

E.O. 11652: ADS, DECLAS 5/7/76

TAGS: EAID, EFIN, BEXP

SUBJECT: ADB ACTION ON LOANS TO VIETNAM

1. FOLLOWING IS TEXT OF MEMORANDUM FROM ADB PRESIDENT
TO DIRECTORS AND ALTERNATE DIRECTORS DATED APRIL 28,
1975:

QUOTE

2. THE BANK HAS MADE 11 LOANS AMOUNTING TO US\$44.6
MILLION TO FINANCE 9 PROJECTS IN VIETNAM (2 PROJECTS
OF WHICH INVOLVED A COMBINATION OF SPECIAL FUNDS
LOAN AND ORDINARY OPERATIONS LOAN UNDER THE SPECIAL
FUNDS SUPPLEMENTATION SCHEME APPROVED BY THE BOARD
UNDER SEC. M64-73, DATED 9 MAY 1973). THUS, NINE
LOANS AMOUNTING TO US\$40.67 MILLION ARE FROM THE
SPECIAL FUNDS RESOURCES AND 2 LOANS AMOUNTING TO
US\$3.93 MILLION ARE FROM THE ORDINARY CAPITAL RESOURCES.
ALL LOANS, EXCEPT THE THREE MOST RECENT LOANS AMOUNTING

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TO US\$20.4 MILLION, HAVE BECOME EFFECTIVE AND THE

PROJECTS FINANCED BY THEM ARE AT VARIOUS STAGES OF IMPLEMENTATION. THE TOTAL AMOUNT DISBURSED SO FAR AMOUNTS TO ABOUT US\$5.02 MILLION.

3. IN VIEW OF THE RECENT SITUATION IN VIETNAM, IT BECAME URGENT FOR THE BANK TO CONSIDER WHAT ACTION SHOULD BE TAKEN WITH REGARD TO BANK LOANS TO VIETNAM; CONSIDERATION OF THIS MATTER WAS INITIATED IN THE BANK SO AS TO BE IN A POSITION TO DISCUSS THE MATTER WITH THE DELEGATION OF THE REPUBLIC OF VIETNAM TO THE EIGHTH ANNUAL MEETING OF THE BOARD OF GOVERNORS. DURING DISCUSSIONS WHICH THAT DELEGATION HAD WITH ME, THE DELEGATION PROPOSED THAT THE BANK SHOULD TAKE ACTION FOR "SELECTIVE SUSPENSION" OF LOANS, I.E., SUSPEND THE BORROWER'S RIGHT TO MAKE WITHDRAWALS FROM LOAN ACCOUNTS IN RESPECT OF PROJECTS WHICH HAVE CURRENTLY PASSED OUTSIDE THE CONTROL OF AUTHORITIES IN SAIGON. AFTER CONSIDERABLE CONSIDERATION AND DISCUSSIONS WITH STAFF, I CAME TO THE CONCLUSION THAT SUCH "SELECTIVE SUSPENSION" WOULD BE INAPPROPRIATE IN THE PRESENT CIRCUMSTANCES WHICH, IN MY OPINION, ARE SUCH AS TO CALL FOR A TEMPORARY SUSPENSION OF WITHDRAWAL RIGHTS UNDER ALL BANK LOANS MADE TO, OR IN, THE REPUBLIC OF VIETNAM UNTIL SUCH TIME AS THE POSITION IS CLARIFIED AND RESUMPTION OF ACTIVITY COULD BE CONSIDERED. ACCORDINGLY, THE BANK NOTIFIED, ON SATURDAY, APRIL 26TH, THE GOVERNMENT OF VIETNAM AND ALL THE PROJECT AGENCIES CONCERNED THAT PENDING FURTHER DISCUSSIONS, THE BANK SUSPENDED, AS OF THAT DATE, THE BORROWERS'S RIGHT TO MAKE WITHDRAWALS FROM THE LOAN ACCOUNTS IN RESECT OF ALL BANK LOANS TO VIETNAM WHICH HAVE ALREADY BECOME EFFECTIVE, EXCEPT THE FOLLOWING PAYMENTS:

- (A) PAYMENTS WHICH HAVE ALREADY BEEN MADE TO SUPPLIERS BY THE COMMERCIAL BANKS CONCERNED UNDER LETTERS OF CREDIT COVERED BY QUALIFIED COMMITMENTS ISSUED BY THE BANK;
- (B) PAYMENTS DUE TO SUPPLIERS FOR GOODS WHICH HAVE ALREADY BEEN DELIVERED ON BOARD THE VESSEL WHERE SUCH PAYMENTS ARE TO BE MADE BY THE COMMERCIAL BANKS CONCERNED UNDER LETTERS OF CREDIT COVERED BY QUALIFIED LIMITED OFFICIAL USE

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COMMITMENTS ISSUED BY THE BANK; AND
(C) PAYMENTS DUE TO CONSULTANTS FOR THE SERVICES ALREADY PERFORMED BY THEM.

4. APPROPRIATE
CABLES WERE ALSO SENT TO THE COMMERCIAL BANKS CONCERNED ON 26 APRIL TO GIVE EFFECT TO SUCH SUSPENSION. IN THESE CABLES, WE REQUESTED THE COMMERCIAL

BANKS TO MAINTAIN THE MAXIMUM CONFIDENTIALITY OF THE SUSPENSION CONSISTENT WITH THE TAKING OF ANY NECESSARY ACTIONS TO GIVE EFFECT THERETO.

5. THE BANK'S ACTION TO SUSPEND THESE LOANS WAS TAKEN UNDER SECTION 5.02(D) OF THE RELEVANT LOAN REGULATIONS OF THE BANK, WHICH PROVIDES THAT THE BANK MAY BY NOTICE TO THE BORROWER SUSPEND IN WHOLE OR IN PART THE RIGHT OF THE BORROWER TO MAKE WITHDRAWALS FROM THE LOAN ACCOUNT IF AN EXTRAORDINARY SITUATION SHALL HAVE ARISEN WHICH SHALL MAKE IT IMPROBABLE THAT THE BORROWER WILL BE ABLE TO PERFORM ITS OBLIGATIONS UNDER THE RELEVANT LOAN AGREEMENT.

6. WITH REGARD TO THE 3 LOANS TO VIETNAM WHICH HAVE NOT YET BECOME EFFECTIVE, THE GOVERNMENT AND THE PROJECT AGENCIES CONCERNED WERE NOTIFIED AT THE SAME TIME THAT THE BANK WOULD WITHOLD ANY ACTION PENDING FURTHER DISCUSSIONS. BY THIS ACTION, THE EFFECTIVITY OF THESE 3 LOANS WILL BE KEPT IN SUSPENSION UNTIL FURTHER DISCUSSIONS.

7. I WOULD ALSO LIKE TO INFORM THE BOARD THAT ON TUESDAY, APRIL 2ND, THE BANK REQUESTED THE CONCERNED AUTHORITIES IN THE REPUBLIC OF VIETNAM TO:

(A) DISCONTINUE ALL ONGOING CONSULTANTS' WORK ON THE PROJECTS AND TO REPATRIATE ANY REMAINING FOREIGN CONSULTANTS; AND

(B) TAKE NO FURTHER ACTION ON THE TENDER DOCUMENTS WHICH HAD BEEN APPROVED BY THE BANK BUT WHICH HAD NOT YET BEEN ISSUED BY THE PROJECT AGENCY, OR ON THE TENDER DOCUMENTS WHICH HAD BEEN APPROVED AND ISSUED BUT ON WHICH NO CONTRACT HAD BEEN AWARDED, OR ON THE LIMITED OFFICIAL USE

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DRAFT CONTRACTS WHICH HAD BEEN APPROVED BY THE BANK BUT WHICH HAD NOT BEEN SIGNED.

AT THE SAME TIME, THE BANK INFORMED THE CONSULTANTS CONCERNED OF THE BANK'S ACTION MENTIONED IN SUB-PARAGRAPH (A) ABOVE.

8. I REQUEST THAT THIS MEMORANDUM BE TREATED AS STRICTLY CONFIDENTIAL. END QUOTE.
SULLIVAN

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Message Attributes

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Disposition Approved on Date:
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
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